# UDUPI COCHIN SHIPYARD LIMITED

## CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY POLICY

### PREAMBLE

Economic growth is possible only through consumption of inputs available in the environment and society. The harnessing of natural resources has a direct impact on the economy, the environment and society at large.

Corporate Social Responsibility (CSR) is a concept whereby organizations serve the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. Corporate Social Responsibility and Sustainability Policy (hereafter referred to as 'CSR Policy' or 'Policy') of Udupi Cochin Shipyard Limited (Udupi-CSL) has been designed in consonance with Section 135 of the Companies Act, 2013 (hereafter referred to as 'Act') and also in line with the CSR Policy adopted by its holding company Cochin Shipyard Limited (CSL), to lay down the guidelines for undertaking Corporate Social Responsibility (hereafter referred to as 'CSR') initiatives at Udupi-CSL in accordance with the applicable CSR Rules (hereafter referred to as 'Rules').

The Policy lays down the guiding principles or rules that shall apply to all CSR programs/projects as per Schedule VII of the Act within the geographical limit of Republic of India for advantage of marginalized, poor & deprived sections of society and/or for contributing towards environmental sustainability.

### 1) POLICY STATEMENT

Udupi Cochin Shipyard Limited (Udupi-CSL), a wholly owned subsidiary of Cochin Shipyard Limited (CSL), in consonance with its Corporate Vision looks forward to continue in the best tradition of being a responsible Corporate Citizen recognized for the quality of its products and services and respected for its ethical way of conducting business. In this, it endeavours to follow the path of shared inclusive growth, thereby distributing the fruits of its prosperity towards improved quality of the life of the society and contributing to environment and nature for sustainable development.

## 2) SCOPE

Udupi-CSL would undertake CSR projects in all the sectors as per Schedule VII of the Act:

a) Eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to Swachh Bharat Kosh setup by the Central Government and making available safe drinking water.

b) Promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and the differently abled and livelihood enhancement project.

c) Promoting gender quality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centres and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups.

d) Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water, including contribution to Clean Ganga Fund set-up by the Central Government for rejuvenation of river Ganga.

e) Protection of natural heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up of public libraries; promotion and development of traditional arts and handicrafts.

f) Measures for the benefit of armed forces veterans, war widows and their dependents, Central Armed Police Forces (CAPF) and Central Para Military Forces (CPMF) veterans and their dependents including widows.

g) Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sports including training of Indian sports personnel representing any State or Union territory at national level or India at International level.

h) Contribution to the Prime Minister's National Relief Fund or Prime Minister's Citizen Assistance and Relief Emergency Situations Fund (PM CARES Fund) or

any other fund set up by the Central Government for Socio-Economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, Minorities and women.

i) Contribution to incubators funded by the Central Government or State Government or any agency or Public Sector Undertaking of Central Government or State Government and contributions to public funded Universities, Indian institute of Technology (IITs), National Laboratories and Autonomous Bodies(established under the auspices of Indian Council of Agricultural Research(ICMR), Council of Scientific and Industrial Research (CSIR), Department of Atomic energy(DAE), Defence Research and Development Organization(DRDO), Department of Biotechnology (DBT), Department of Science and Technology(DST), Ministry of Electronics and Information Technology engaged in conducting research in science, technology, engineering and medicine aimed at promoting sustainable Development Goals (SDGs).

j) Rural Development Projects.

k) Slum Area Development.

l) Disaster management, including relief, rehabilitation and reconstruction activities.

AND

m) Any suggestions/directions issued by the Government of India, Dept. of Public Enterprises, on the focus areas/themes for CPSUs from time to time.

## 3) LOCAL AREA

As far as CSR activities of the Company are concerned, “Local Area” is defined as the geographical area comprising Udupi and its neighbouring districts, as well as the districts in which the Company's other units, if any, are located, together with their respective neighbouring districts. Udupi-CSL may also undertake activities outside Local Area. An allocation of up to 20% of the total expenditure in a year can be earmarked for such projects.

## 4) THEME BASED APPROACH

The Government of India adopts theme-based approach each year in a focused manner in consonance with the national priorities. Focussed action on aspirational districts is also proposed by the Government for the Central PSUs. Udupi-CSL, being a wholly owned subsidiary of Cochin Shipyard Limited, a Government of India Enterprise will follow the guidelines promulgated by the Department of Public Enterprises, Government of India from time to time.

## 5) INSTITUTIONAL ARRANGEMENT

### a) The Board of Directors (Tier – I)

The Board of Directors of Udupi-CSL shall be accountable for the CSR activities and shall have an oversight function over the CSR Committee. Further the role of the Board shall include:

i. To constitute the CSR Committee.

ii. To approve the CSR Policy and Annual Action Plan.

iii. To ensure legal compliance of at least 2% spending.

iv. To report CSR activities.

v. To ensure the administrative overheads shall not exceed 5% of total CSR expenditure

vi. To pass resolution to set off the excess of targeted CSR spending in a financial year to the immediate succeeding three financial years.

vii. Monitoring sanction of ongoing projects having duration of more than a year.

viii. To ensure that any surplus, generated from CSR activities are ploughed back into the same project or shall be spent in pursuance of CSR Policy

and annual action plan of the company or transfer such surplus amount to a fund specified in Schedule VII within a period of six months of the expiry of the financial year.

**b) CSR & SD Committee of the Board (Tier – II)**

Udupi-CSL's CSR Committee (Tier – II) shall consist of at least three members of the Board of Udupi-CSL.

The CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the Company. Further the role of CSR Committee shall include:

i. Formulation of CSR Policy, Annual Action Plan and Standard Operating Procedure for the Board.

ii. To plan, budget and recommend the expenditure on CSR to the Board.

iii. To monitor the implementation of the CSR projects or programs or activities undertaken by the Company.

**c) CSL's CSR Executive Committee (Tier – III)**

The CSR Executive Committee (Tier – III) of the holding company, Cochin Shipyard Limited, will function for Udupi-CSL and their role would be as follows:

i. To prepare Udupi-CSL's Annual Action Plan, SOP and recommend amendment to CSR Policy from time to time.

ii. To identify and recommend suitable CSR projects.

iii. To recommend the modalities of utilisation of funds and implementation schedules for the projects or programmes.

iv. To carry out need assessment, close monitoring, periodic review, impact assessment of CSR projects wherever necessary.

**d) CSR Cell**

The CSR Cell of the holding company, Cochin Shipyard Limited, will be the frontline team to manage the CSR activities undertaken by Udupi-CSL. Udupi-CSL shall receive CSR project applications/ proposals and forward them, along with its comments and recommendations, to the CSL CSR Cell for further necessary action.

The Cell is responsible for maintaining records of all project proposals, execution of the projects, conducting periodic Executive Committee meetings and CSR reporting. Further, the Cell will be responsible for the following:

i. To receive proposals, process them and present to the committee with necessary inputs.

ii. Undertake all administrative actions, maintain records, enter into agreements, monitoring, evaluation and reporting of CSR activities.

iii. To apprise the Committees of the developments in the CSR Rules and government Guidelines.

iv. In order to discharge his CSR related duties efficiently, the Head CSR would have financial powers to incur expenditure upto INR 25,000/- per occasion within the budget allocated for CSR.

## 6) MODUS OPERANDI - CSR IN ACTION

**a) Standard Operating Procedure (SOP)**

The Standard Operating Procedure (SOP) adopted by the Company, which is broadly aligned with that of Cochin Shipyard Limited, would guide the Executive Committee to identify and undertake the projects.

**b) CSR activities are undertaken by the company itself or through the holding company Cochin Shipyard Limited or through**

i. A company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961(43 of 1961), established by the company either singly or along with any other company, or

ii. A company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government; or

iii. Any entity established under an Act of Parliament or a State legislature; or

iv. A company established under section 8 of the Act, or a registered public trust or a registered society, registered under section 12A and 80G of the Income Tax Act, 1961, and having an established track record of at least three years in undertaking similar activities

**c) Annual Action Plan**

On the basis of identified CSR activities/ projects, the Annual Action Plan shall be prepared in advance. On receipt of new CSR proposals, the CSR Annual Plan may be amended/ modified at any time during the financial year.

## 7) MONITORING MECHANISM

The following shall be the monitoring mechanism of CSR projects.

**a)** The CSR Cell of the holding company, Cochin Shipyard Limited shall be responsible for monitoring of CSR activities at every stage on day-to-day basis. They shall keep track of the progress of the CSR activities on a regular basis through status check from implementing agency, site visits etc. and also obtain feedbacks from the targeted beneficiaries.

**b)** The progress report of CSR activities at each stage shall be obtained from the Implementing Agencies on a regular basis which shall be reviewed by both CSL's CSR Executive Committee and the Udupi-CSL's CSR & SD committee.

## 8) BUDGET

Normally payments to the concerned parties involved in the CSR project implementation are made based on the principle of reimbursement of expenditure against documentary proof or utilization certificate by the competent authority and in accordance with the respective MoU or Agreement signed in this regard.

However, considering the peculiar financial constraints of the implementing agency for pooling advance fund for the commencement of projects, advance payment may be released against appropriate surety as deemed fit by CSR Cell on case-to-case basis.

## 9) ALLOCATION OF FUND

The Board of Directors of Udupi-CSL shall allocate 2% of its average Profit Before Tax (PBT) for the three immediately preceding financial years towards CSR expenditure for the financial year.

## 10) MAJOR AND MINOR PROJECTS

A fund limited to 10% of the total budget can be sanctioned as Minor Projects with the approval of the Chairman based on the recommendation of the CSL CSR Executive Committee. Such projects would be relatively urgent in nature and worth Rs.5 lakhs or below.

All other projects are treated **as major projects**, which will have prior approval of the Board.

## 11) IMPACT

The company through the CSL CSR Executive Committee shall undertake impact assessment, through an independent agency, of its CSR projects having outlays of one crore rupees or more, and which have been completed not less than one year before undertaking the impact study. The impact assessment reports shall be placed before the Board and shall be annexed to the annual report on CSR.

## 12) ADMINISTRATIVE OVERHEAD

The company is entitled to spend up to 5% towards administrative overhead, which may include the expenses, incurred for general management and administration of the Corporate Social Responsibility functions of the Company.

Expenditure on impact assessment will be reckoned as expenditure towards CSR for that financial year, which shall not exceed five percent of the total CSR expenditure or Rs.50 lakhs, whichever is less.

## 13) REPORTING

Udupi-CSL shall report all its CSR activities and accounts to the Competent Authorities from time to time in the prescribed manner and mode. In addition, Udupi-CSL shall have a dedicated link for CSR reporting at its official portal which shall be updated periodically by the officials authorized for the purpose.

## 14) CSR POLICY REVIEW AND AMENDMENTS

Board of Directors of Udupi-CSL shall review the CSR Policy and make appropriate changes or amendments to the same as may be required from time to time. Statutory enactments or Judicial pronouncements or Government orders issued by the respective Authorities with regard to CSR shall be automatically made applicable to this Policy with immediate effect. Chairman shall affect such required immediate actions as may be warranted to be ratified by the Board at the earliest opportunity.

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